

**Sheryl (Sherry) Herauf**  
Director  
Federal Regulatory Relations

1275 Pennsylvania Avenue, N.W., Suite 400  
Washington, D.C. 20004  
(202) 383-6424

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY**

November 5, 1996

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Mail Stop 1170  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

*DOCKET FILE COPY ORIGINAL*

Dear Mr. Caton:

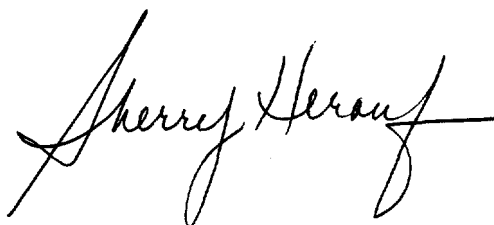
Re: CC Docket No. 96-193, Implementation of the Telecommunications Act of 1996:  
Reform of Filing Requirements and Carrier Classifications

AAD 95-91, Anchorage Telephone Utility, Petition for Withdrawal of Cost  
Allocation Manual

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of their "Reply Comments" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Enclosures

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of

Implementation of the  
Telecommunications Act of 1996:

Reform of Filing Requirements  
and Carrier Classifications

Anchorage Telephone Utility, Petition for  
Withdrawal of Cost Allocation Manual

CC Docket No. 96-193

AAD 95-91

**REPLY COMMENTS OF PACIFIC BELL AND NEVADA BELL**

Pacific Bell and Nevada Bell submit this reply in response to comments on the Commission's proposed reporting to implement Section 402(b)(2)(B) of the Telecommunications Act which directs annual filings of cost allocation manuals (CAMs) and ARMIS reports.<sup>1</sup> We specifically respond to comments filed by Teleport Communications Group, Inc. (TCG).

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<sup>1</sup> This proceeding also included the Commission's Order amending its rules to require annual filings of reports previously required on a quarterly basis. The process of conforming the form of those reports to an annual filing is underway with informative discussions between the Bureau and industry representatives.

## I. Introduction And Summary

The overwhelming response of comments filed in this proceeding generally rejects the Commission's proposed alternatives for filing CAM revisions as unnecessarily burdensome and contrary to Section 402(b)(2)(B). Commenters propose various means of effecting the de-regulatory intent of the Telecommunications Act by minimizing reporting requirements, while continuing to provide the Commission with information useful for its regulatory oversight.

We support all efforts to reduce carriers' regulatory burdens. However, we urge the Commission to reject TCG's mistaken interpretation of its rules that would exempt all competitive LECs from complying with certain reporting requirements. In the competitive telecommunications market, parity among incumbent and competitive LECs that meet threshold requirements is necessary and fair.

## II. CLECs Should Be Held To The Same Reporting Requirements As ILECs

TCG urges the Commission to clarify that carrier reporting requirements apply only to incumbent local exchange carriers (ILECs) and not to competitive LECs (CLECs). TCG claims that CLECs have never been required to file these reports. TCG Comments, p. 2. If some LECs have not been required to file certain reports, it is not because they are CLECs but because they do not meet the threshold required to file a report. For example, the ARMIS Reports 495-A and 495-B must be filed only by carriers that file a CAM.<sup>2</sup> If a CLEC does not file a CAM, it

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<sup>2</sup> 47 C.F.R. §43.21(e)(1), (2).

would not be required to file the ARMIS 495A and 495B reports. Carriers that do not have annual operating revenues of \$100 million or more are not required to file other reports.<sup>3</sup>

A carrier's status as a CLEC is irrelevant to the requirement to file ARMIS reports. TCG makes too much of the use of the term "incumbent" in the NPRM. The Commission's intent should be understood from the language of its proposed rules in Appendix C of the NPRM. Nowhere in the proposed rules has the Commission distinguished between incumbent and competitive LECs. To the contrary, the rules specifically state that "Each local exchange carrier with annual operating revenues...."<sup>4</sup>

Moreover, there is no reason to distinguish between ILECs and CLECs for ARMIS or CAM reporting requirements. The Commission's need to track carrier data applies equally to CLECs. As the Commission notes, ARMIS reports are useful in monitoring various facets of LEC activity such as evaluation of tariffs filed under rate of return regulation (to which most CLECs would be subject); tariff investigations, rulemakings concerning cost issues and evaluating exogenous cost adjustments under the price cap rules.<sup>5</sup> If a CLEC meets the annual operating revenue requirement of \$100M (adjusted) for 5 consecutive years, there is no reason to exempt it from reporting requirements that its competitors must follow. On the other hand, we agree with USTA and ATU that smaller carriers (whether incumbent or CLEC) that serve less

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<sup>3</sup> See 47 C.F.R. §§43.21(f), 43.22.

<sup>4</sup> See Notice of Proposed Rulemaking, Appendix C.

<sup>5</sup> NPRM, p. 18. n.90.

than two percent of the nation's access line should not be subject to reporting and CAM requirements consistent with the Congressional intent manifested in §251(f) of the Telecom Act.<sup>6</sup>

TCG's assertion that CLECs do not have the capability for illegal cross-subsidizations, and therefore, do not require monitoring for such practices is entirely unsupported. If TCG bases this mistaken notion on the fact that a CLEC competes with an ILEC and thus does not have the incentive to cross subsidize, it should be reminded that the existence of CLECs is, by definition, evidence of competition for the ILEC, and the same competitive market that discourages a CLEC from cross subsidizing also discourages an ILEC. Moreover, imposing reporting requirements on only one competitor is unfair. The Commission should instead promote competitive parity, preferably relieving all parties of unnecessary regulation and reporting requirements, but otherwise, imposing the same requirements on all carriers that meet the annual operating revenue threshold.

The Commission need not establish a separate rulemaking to require CLECs to comply with its existing rules. Once a CLEC meets the annual operating revenue threshold, it qualifies for reporting without further rulemaking. In fact, a separate rulemaking would be appropriate if the Commission *exempts* carriers that meet the annual operating revenue threshold

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<sup>6</sup> USTA Comments, pp. 2-5; Anchorage Telephone Utility (ATU), Comments, pp. 2, 13-16; Cincinnati Bell Telephone, p. 6.

because of their status as new entrants. That exemption would be a change in the current rules and as such, require a rulemaking proceeding, and a reasoned supportable basis for the change.

Respectfully submitted,

PACIFIC BELL  
NEVADA



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JAMES S. HAMASAKI  
LUCILLE M. MATES  
APRIL J. RODEWALD-FOUT

140 New Montgomery Street, Rm. 1526  
San Francisco, California 94105  
(415-542-7654)

MARGARET E. GARBER

1275 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004  
(202) 383-6472

Their Attorneys

Date: November 5, 1996

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